

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>West Michigan Regional Planning Commission</b>	County <b>Kent</b>
Audit Date <b>9/30/05</b>	Opinion Date <b>10/18/05</b>	Date Accountant Report Submitted to State: <b>12/1/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Brickley DeLong, PLC</b>			
Street Address <b>500 Terrace Plaza, P.O. Box 999</b>		City <b>Muskegon</b>	State <b>MI</b>
		ZIP <b>49443-0999</b>	
Accountant Signature <i>Timothy D. Carter, C.P.A. for Brickley De Long, PLC</i>			Date <b>12/1/05</b>

West Michigan Regional Planning Commission

**REPORT ON FINANCIAL STATEMENTS**  
(with required supplementary information)

Year ended September 30, 2005

West Michigan Regional Planning Commission

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As management of the West Michigan Regional Planning Commission, we present to the readers of the Commission's financial statements this overview and analysis of the financial activities of the West Michigan Regional Planning Commission for the fiscal year ended September 30, 2005. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

### FINANCIAL HIGHLIGHTS

The Commission's net assets increased by \$7,951 (8.7%) from \$90,950 to \$98,901.

The Commission's expenses decreased \$51,848 (20.2%) from the prior year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Commission's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statement of Activities presents information showing how the Commission's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Commission has one category of funds—governmental funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison.

The West Michigan Regional Planning Commission maintains one individual governmental fund, the General Operations Fund.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Commission's budgetary information as it relates to the actual revenues and expenditures for the General Operations Fund.

### Government-wide Financial Analysis

The first table presented below is a summary of the government-wide statement of net assets for the Commission. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of September 30, 2005, the Commission's net assets from governmental activities totaled \$98,901.

In examining the composition of these net assets, the reader should note that a portion of governmental activities net assets are invested in capital assets (i.e., leasehold improvement and office furniture and equipment). These assets are used to provide services to the Commission's members, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for governmental activities actually depict a balance of \$93,891. This represents the amount of discretionary resources that can be used for general governmental operations.

**Governmental Activities.** The most significant change occurring between fiscal year 2004 and 2005 on the Statement of Net Assets was the payment of accounts payable which reduced current liabilities and current assets.

# WEST MICHIGAN REGIONAL PLANNING COMMISSION

## Management's Discussion and Analysis

### Net Assets

	Governmental Activities	
	2005	2004
<u>Assets</u>		
Current assets and other assets	\$ 118,886	\$ 145,978
Capital assets	5,010	7,041
Total assets	123,896	153,019
<u>Liabilities</u>		
Current liabilities	24,995	62,069
<u>Net assets</u>		
Invested in capital assets	5,010	7,041
Unrestricted	93,891	83,909
Total net assets	\$ 98,901	\$ 90,950

Governmental activities net assets increased by \$7,951 (8.7%) during the 2005 fiscal year. The following table depicts this occurrence which will be discussed in more detail later in this analysis.

### Change in Net Assets

	Governmental Activities	
	2005	2004
<b>Revenues:</b>		
Program revenues		
Charges for services	\$ 7,142	\$ 12,372
Operating grants and contributions	165,500	198,710
General revenues		
Membership dues	36,978	32,484
Unrestricted investment earnings	1,188	332
Miscellaneous	822	11,457
<b>Total revenues</b>	211,630	255,355
<b>Expenses:</b>		
Transportation planning	60,353	101,258
Economic development	56,151	45,567
Hazard mitigation	9,599	15,779
Land use planning	18,835	19,335
General administration	58,741	73,588
Total expenses	203,679	255,527
Change in net assets	7,951	(172)
Net assets – October 1	90,950	91,122
<b>Net assets – September 30</b>	<b>\$ 98,901</b>	<b>\$ 90,950</b>

**Governmental Activities.** Revenues and expenses both declined in fiscal year 2005 primarily due to the completion of the M-104 Study grant in the prior year. Specifically, the completion of this grant caused a decrease in operating grants and contributions and transportation planning expenses. General administration expenses also decreased because a higher percentage of employee salaries, wages and fringe benefits were spent on program expenses.

### **Financial Analysis of the Government's Funds**

As stated earlier in this discussion and analysis, the Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the Commission's governmental fund is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Commission's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2005 fiscal year, the West Michigan Regional Commission governmental funds reported an unreserved fund balance of \$98,394.

### **General Fund Budget**

During the current fiscal year, the Commission made several amendments to its original budget. The most significant of those is listed below:

- The federal revenue budget was reduced from \$123,500 to \$103,500 because the Michigan Economic Development Corporation did not provide matching funds for the projects that the Commission applied for.
- The local revenue budget was increased from zero to \$4,000 because the Commission's Director became the secretary of the Michigan Association of Regions and the Commission is reimbursed for the time that the Director spends performing the duties of this position.
- The charges for services budget was reduced from \$7,000 to \$5,000 because the Commission did not prepare any land use plans this year.
- The contractual services budget was reduced from \$47,100 to \$39,300 because the Commission did not spend the entire Michigan Department of Transportation Asset Management grant.
- The indirect costs budget was reduced from \$91,800 to \$83,900 to reflect lower anticipated administrative expenditures associated with the program budget reductions listed above.

The following comments summarize the major variations from the final budget to actual revenues and expenditures. Federal revenues were less than budgeted because fewer Economic Development Administration funds were requested due to the Michigan Economic Development Corporation not providing matching funds. State revenues were less than budgeted because the Commission did not spend the entire MDOT Asset Management grant. Charges for services revenue was less than budgeted because fewer recreation plans were done than anticipated due to adequate work load. Contractual services were under budget because of less grant activity (Asset Management) than expected. Indirect costs were under budget primarily because a higher percentage of salaries, wages and fringe benefits were allocated as direct costs than anticipated.

### **Capital Assets**

The West Michigan Regional Planning Commission's investment in capital assets for its governmental activities as of September 30, 2005 totaled \$5,010 (net of accumulated depreciation). This investment in capital assets includes leasehold improvements and office furniture and equipment.

There were no capital asset additions or disposals in 2005. Depreciation expense for the year was \$2,031.

#### **Capital Assets**

	Governmental Activities	
	2005	2004
Leasehold improvements	\$ 2,450	\$ 2,450
Office furniture and equipment	19,644	19,644
Total capital assets	22,094	22,094
Less accumulated depreciation	17,084	15,053
Total (net of accumulated depreciation)	<u>\$ 5,010</u>	<u>\$ 7,041</u>

Additional information on the Commission's capital assets can be found in Note D of the "Notes to the Financial Statements" of this report.

### **Long-Term Debt**

At the end of the fiscal year, the Commission had total debt outstanding of \$4,503 consisting entirely of compensated absences.



### **General Economic Overview**

The West Michigan Regional Planning Commission has set fiscal accountability and financial stability as its number one priority. This is also its greatest challenge.

The Commission's funding is primarily comprised of two major revenue sources, Michigan Department of Transportation (MDOT) and Economic Development Administration (EDA) grants. Those two sources comprised over 62% of the fund's revenue sources. There are potential changes in grant funding at the EDA in the future, but we anticipate no decrease in EDA funding next year. MDOT grant revenues are also expected to remain steady.

The Hazard Mitigation grant is expected to be completed next year.

There is doubt that the next phase of the Coastal Management grant will occur next year due to funding challenges with the program.

The Commission expects expenditures in 2006 for salaries, wages and fringe benefits to increase slightly. All other expenditure items are expected to remain steady.

### **Requests for Information**

This financial report is designed to provide a general overview of the West Michigan Regional Planning Commission's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the West Michigan Regional Planning Commission, 820 Monroe NW, Suite 214 Grand Rapids, MI 49503 (616) 774-8400.

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

October 18, 2005

Board of Directors  
West Michigan Regional Planning Commission  
Grand Rapids, Michigan

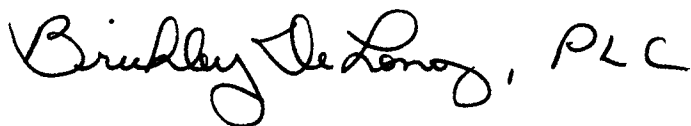
We have audited the accompanying financial statements of the West Michigan Regional Planning Commission as of and for the year ended September 30, 2005, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of West Michigan Regional Planning Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the West Michigan Regional Planning Commission, as of September 30, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i through vi and 16 are not a required part of the basic financial statement but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the West Michigan Regional Planning Commission's basic financial statements. The accompanying supplemental financial information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



West Michigan Regional Planning Commission  
**STATEMENT OF NET ASSETS**  
September 30, 2005

**ASSETS**

**CURRENT ASSETS**

Cash and investments	\$ 72,504
Due from other governmental units	<u>46,382</u>
Total current assets	118,886

**NONCURRENT ASSETS**

Capital assets, net	
Depreciable	<u>5,010</u>
Total assets	123,896

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued liabilities	6,183
Deferred revenue	14,309
Compensated absences, due within one year	<u>4,503</u>
Total current liabilities	<u>24,995</u>

**NET ASSETS**

Invested in capital assets	5,010
Unrestricted	<u>93,891</u>
Total net assets	<u><u>\$ 98,901</u></u>

The accompanying notes are an integral part of this statement.

West Michigan Regional Planning Commission  
**STATEMENT OF ACTIVITIES**  
For the year ended September 30, 2005

<i>Functions/Programs</i>	Expenses	Program Revenue		Net (Expense)
		Charges for services	Operating grants and contributions	Revenue and Changes in Net Assets
Governmental activities				Governmental activities
Transportation planning	\$ 60,353	\$ -	\$ 80,309	\$ 19,956
Economic development	56,151	5,000	56,244	5,093
Hazard mitigation	9,599	-	13,497	3,898
Land use planning	18,835	2,142	15,450	(1,243)
General administration	58,741	-	-	(58,741)
Total governmental activities	<u>\$ 203,679</u>	<u>\$ 7,142</u>	<u>\$ 165,500</u>	<u>(31,037)</u>
General revenues				
Membership dues				36,978
Unrestricted investment earnings				1,188
Miscellaneous				822
Total general revenues				<u>38,988</u>
Change in net assets				7,951
Net assets at October 1, 2004				<u>90,950</u>
Net assets at September 30, 2005				<u>\$ 98,901</u>

The accompanying notes are an integral part of this statement.

West Michigan Regional Planning Commission  
**BALANCE SHEET**  
Governmental Fund  
September 30, 2005

ASSETS

Cash and investments	\$ 72,504
Due from other governmental units	<u>46,382</u>
Total assets	<u><u>\$ 118,886</u></u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 2,851
Accrued liabilities	3,332
Deferred revenue	<u>14,309</u>
Total liabilities	20,492

Fund balance

Unreserved	<u>98,394</u>
Total liabilities and fund balance	<u><u>\$ 118,886</u></u>

The accompanying notes are an integral part of this statement.

West Michigan Regional Planning Commission  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS**  
September 30, 2005

Total fund balance—governmental funds	\$	98,394
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Amounts reported for governmental activities in the Statement of Net Assets  
are different because:

Capital assets used in governmental activities are not financial resources and  
are not reported in the governmental funds.

Cost of capital assets	\$	22,094	
Accumulated depreciation		<u>(17,084)</u>	5,010

Long-term liabilities, including compensated absences, are not due and payable  
in the current period and therefore are not reported in the governmental fund.

(4,503)

Net assets of governmental activities in the Statement of Net Assets

\$ 98,901

The accompanying notes are an integral part of this statement.

West Michigan Regional Planning Commission  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
Governmental Fund  
For the year ended September 30, 2005

REVENUES

Intergovernmental revenues	
Federal	\$ 86,692
State	78,809
Local	5,000
Membership dues	36,978
Charges for services	2,142
Investment earnings	1,188
Other	822
	<hr/>
Total revenues	211,631

EXPENDITURES

Current	
Salaries and wages	94,427
Fringe benefits	20,446
Travel and conferences	10,744
Contractual services	10,480
Office costs	7,280
Professional development	866
Other	754
Indirect costs	56,646
	<hr/>
Total expenditures	201,643

Net change in fund balance	9,988
Fund balance at October 1, 2004	<hr/> 88,406
Fund balance at September 30, 2005	\$ <hr/> <hr/> 98,394

The accompanying notes are an integral part of this statement.

West Michigan Regional Planning Commission  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
For the year ended September 30, 2005

Net change in fund balance—governmental fund:	\$ 9,988
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.

Depreciation expense	(2,031)
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Increases in the compensated absences are reported on the accrual method in the Statement of Activities and reported as expenditures when financial resources are used in the governmental funds.

(6)
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Change in net assets of governmental activities	\$ <u><u>7,951</u></u>
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The accompanying notes are an integral part of this statement.



West Michigan Regional Planning Commission  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2005

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of West Michigan Regional Planning Commission (Commission) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Commission's accounting policies are described below.

**1. Reporting Entity**

West Michigan Regional Planning Commission is a voluntary association of six counties and four cities within western Michigan, encompassing 170 local governmental units and a population of 765,000. The Commission was organized to implement and coordinate various area-wide planning functions, to serve as a regional conduit for federal and state grants affecting local governments, to provide professional and technical expertise not readily available to local governments and to operate certain specialty programs affecting multiple governments spread out over a large geographical area. The operations of the Commission are financed primarily by federal, state and local grants and membership contributions. The Commission does not have the power to levy taxes and, accordingly, its level of operations is dependent upon the amount of voluntary membership contributions received that can be used for local matching shares of grant participation programs.

Generally accepted accounting principles require that if the Commission has certain oversight responsibilities over other organizations, those organizations should be included in the Commission's financial statements. Since no organizations met this criteria, none are included in the financial statements.

**2. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Commission. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Commission has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Revenues not properly included among program revenues are reported instead as general revenues.

The Commission has only one fund, the General Operations Fund, which is a governmental fund.

West Michigan Regional Planning Commission  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
September 30, 2005

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**3. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursements due for expenditure-driven grants are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Commission reports the following major governmental fund:

The General Operations Fund is used to control the expenditures of various federal, state and local monies distributed to the Commission, to be expended according to various grant and professional service agreements.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

**4. Assets, Liabilities and Net Assets or Equity**

**a. Deposits and Investments**

The Commission's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Commission reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Commission intends to hold the investment until maturity.

West Michigan Regional Planning Commission  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
September 30, 2005

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**4. Assets, Liabilities and Net Assets or Equity—Continued**

**a. Deposits and Investments—Continued**

The Commission has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Commission to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

**b. Receivables and Payables**

All trade receivables are shown net of allowance for uncollectibles.

**c. Capital Assets**

Capital assets, which include leasehold improvements and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Leasehold improvements and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Leasehold improvements	3
Office furniture and equipment	5-7

**d. Compensated Absences**

Commission employees are granted vacation and sick leave in varying amounts based on length of service. Upon termination, employees are paid for unused vacation at their current rates. Sick leave pay does not vest with the employee and is payable only in the event of absences due to illness. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

West Michigan Regional Planning Commission  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
September 30, 2005

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**4. Assets, Liabilities and Net Assets or Equity—Continued**

**e. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**f. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

**g. Comparative Data**

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of changes in the Commission's financial position and operations. However, comparative data has not been presented in each of the statements since its inclusion would make the statements unduly complex and difficult to read.

**NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**1. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the governmental fund. All annual appropriations lapse at fiscal year end.

The Commission follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to September 30, the Board of Directors reviews a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- b. The budget is legally enacted through passage of a resolution before October 1.
- c. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Board of Directors.

The appropriated budget is prepared by expenditure line item. Budgets are also adopted on a project by project basis as a management tool. The legal level of budgetary control is the expenditure line level. The Board of Directors made several supplemental budgetary appropriations throughout the year.

West Michigan Regional Planning Commission  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
September 30, 2005

**NOTE C—DEPOSITS AND INVESTMENTS**

**Interest rate risk.** The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations (NRSROs). The Commission has no investment policy that would further limit its investment choices.

**Concentration of credit risk.** The Commission does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Commission investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. As of September 30, 2005, none of the Commission's bank balance of \$80,065 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Custodial credit risk - investments.** The Commission does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**Foreign currency risk.** The Commission is not authorized to invest in investments which have this type of risk.

**NOTE D—CAPITAL ASSETS**

	Balance October 1, <u>2004</u>	<u>Additions</u>	<u>Deductions</u>	Balance September 30, <u>2005</u>
<b>Capital assets, being depreciated:</b>				
Leasehold improvements	\$ 2,450	\$ -	\$ -	\$ 2,450
Office furniture and equipment	<u>19,644</u>	<u>-</u>	<u>-</u>	<u>19,644</u>
Total capital assets, being depreciated	22,094	-	-	22,094
<b>Less accumulated depreciation:</b>				
Leasehold improvements	68	817	-	885
Office furniture and equipment	<u>14,985</u>	<u>1,214</u>	<u>-</u>	<u>16,199</u>
Total accumulated depreciation	<u>15,053</u>	<u>2,031</u>	<u>-</u>	<u>17,084</u>
Capital assets, net	\$ <u>7,041</u>	\$ <u>(2,031)</u>	\$ <u>-</u>	\$ <u>5,010</u>

**Depreciation**

Depreciation expense was charged to functions as follows:

General administration	\$ <u>2,031</u>
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West Michigan Regional Planning Commission  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
September 30, 2005

**NOTE E—LONG-TERM DEBT**

**Summary of Changes in Long-Term Liabilities**

The following is a summary of long-term liabilities activity for the Commission for the year ended September 30, 2005.

	Balance October 1, <u>2004</u>	<u>Additions</u>	<u>Deductions</u>	Balance September 30, <u>2005</u>	Due within <u>one year</u>
<b>Governmental activities:</b>					
Compensated absences	\$ <u>4,497</u>	\$ <u>5,594</u>	\$ <u>5,588</u>	\$ <u>4,503</u>	\$ <u>4,503</u>

**NOTE F—OTHER INFORMATION**

**Risk Management**

The Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Commission carries commercial insurance for general liability, workers' compensation, employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE G—PENSION PLAN**

**Defined Contribution Plan**

The Commission provides pension benefits for its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Plan is administered through Lincoln Life, an independent third party. The commission is required to contribute an amount equal to 4 percent of the qualified employees' annual compensation each plan year. Participants are not required to contribute to the plan. For the year ended September 30, 2005, pension expense was approximately \$4,500.

**NOTE H—LEASES**

The Commission conducts its operations in an office under an operating lease that expires in October 2006. Rent expense under this lease amounted to \$11,881 for the year ended September 30, 2005. The future minimum lease payments for this lease are as follows:

Year ending <u>September 30,</u>	<u>Amount</u>
2006	\$10,194
2007	<u>852</u>
	\$ <u>11,046</u>

**NOTE I—ECONOMIC DEPENDENCY**

Michigan Department of Transportation grants and Economic Development Administration grants account for 38 percent and 24 percent of general operations revenue, respectively.

## **REQUIRED SUPPLEMENTAL INFORMATION**

West Michigan Regional Planning Commission  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**

General Operations Fund  
For the year ended September 30, 2005

	Budgeted Amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
REVENUES				
Intergovernmental revenues				
Federal	\$ 123,500	\$ 103,500	\$ 86,692	\$ (16,808)
State	119,467	119,467	78,809	(40,658)
Local	-	4,000	5,000	1,000
Membership dues	36,838	36,838	36,978	140
Charges for services	7,000	5,000	2,142	(2,858)
Investment earnings	750	750	1,188	438
Other	500	500	822	322
Total revenues	288,055	270,055	211,631	(58,424)
EXPENDITURES				
Current				
Salaries and wages	100,000	100,000	94,427	5,573
Fringe benefits	25,000	23,300	20,446	2,854
Travel and conferences	10,600	10,600	10,744	(144)
Contractual services	47,100	39,300	10,480	28,820
Office costs	9,000	9,250	7,280	1,970
Professional development	1,600	1,600	866	734
Other	2,955	2,105	754	1,351
Indirect costs	91,800	83,900	56,646	27,254
Total expenditures	288,055	270,055	201,643	68,412
Net change in fund balance	\$ -	\$ -	9,988	\$ 9,988
Fund balance at October 1, 2004			88,406	
Fund balance at September 30, 2005			\$ 98,394	



## **OTHER SUPPLEMENTAL INFORMATION**

West Michigan Regional Planning Commission  
**STATEMENT OF REVENUES AND EXPENDITURES**  
Michigan Department of Transportation Grants  
For the year ended September 30, 2005  
(with comparative actual amounts for the year ended September 30, 2004)

	<u>2005</u>	<u>2004</u>
<b>REVENUES</b>		
Intergovernmental revenues		
Federal	\$ 1,500	\$ 34,096
State	78,809	65,967
Local	<u>832</u>	<u>19,319</u>
Total revenues	81,141	119,382
 <b>EXPENDITURES</b>		
Current		
Salaries and wages	34,653	20,435
Fringe benefits	7,504	4,877
Travel and conferences	4,558	3,348
Contractual services	10,480	70,552
Office costs	2,264	178
Professional development	620	801
Other	274	-
Indirect costs	<u>20,788</u>	<u>19,191</u>
Total expenditures	<u>81,141</u>	<u>119,382</u>
 Excess of revenues over (under) expenditures	 \$ <u><u>-</u></u>	 \$ <u><u>-</u></u>

West Michigan Regional Planning Commission  
**STATEMENT OF REVENUES AND EXPENDITURES**  
 Economic Development Grants  
 For the year ended September 30, 2005  
 (with comparative actual amounts for the year ended September 30, 2004)

	2005				2004
	Planning Assistance Programs				
	06-86- 05003	06-83- 04769	06-83- 04994	Total	
REVENUES					
Intergovernmental revenues					
Federal	\$ 1,092	\$ 17,834	\$ 37,319	\$ 56,245	\$ 42,641
Local	1,092	5,947	12,440	19,479	32,720
Total revenues	2,184	23,781	49,759	75,724	75,361
EXPENDITURES					
Current					
Salaries and wages	1,161	12,182	24,217	37,560	32,591
Fringe benefits	251	2,638	5,244	8,133	7,779
Travel and conferences	-	800	3,937	4,737	3,214
Contractual services	-	-	-	-	723
Office costs	75	580	1,529	2,184	447
Professional development	-	-	97	97	-
Other	-	273	208	481	-
Indirect costs	697	7,308	14,527	22,532	30,607
Total expenditures	2,184	23,781	49,759	75,724	75,361
Excess of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

West Michigan Regional Planning Commission  
**COMPUTATION OF FRINGE BENEFIT RATE**  
For the year ended September 30, 2005

ACTUAL COST OF FRINGE BENEFITS

Social Security and Medicare	\$ 8,619
Health insurance	3,708
Life insurance	552
Disability insurance	1,018
Retirement	4,881
Tuition reimbursement	3,312
Michigan unemployment compensation	1,777
Worker's compensation	668
Total cost of fringe benefits	<u>\$ 24,535</u>

COMPUTATION OF ACTUAL FRINGE BENEFIT RATE

Total cost of fringe benefits	\$ 24,535
Gross salaries	<u>\$ 113,307</u>
Actual fringe benefit rate	<u>21.65%</u>

West Michigan Regional Planning Commission  
**COMPUTATION OF INDIRECT COST RATE**  
For the year ended September 30, 2005

DISTRIBUTABLE INDIRECT COSTS

Salaries and wages	\$ 18,880
Fringe benefits	4,088
Travel and conferences	419
Contractual services	2,868
Office costs	22,560
Professional development	2,345
Other	<u>5,486</u>
Total indirect costs	<u><u>\$ 56,646</u></u>

COMPUTATION OF DIRECT SALARY AND FRINGE BENEFIT BASE

Direct labor dollars	
Gross salaries	\$ 113,307
Less indirect salaries	<u>(18,880)</u>
Total direct labor dollars	94,427
Direct fringe benefit dollars	
Fringe benefits	24,535
Less indirect fringe benefits	<u>(4,089)</u>
Total direct fringe benefit dollars	<u>20,446</u>
Total direct salaries and fringe benefits	<u><u>\$ 114,873</u></u>

COMPUTATION OF INDIRECT COST RATE

Indirect cost	\$ 56,646
Direct salaries and fringe benefits	<u>\$ 114,873</u>
Indirect cost rate	<u><u>49.31%</u></u>

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

October 18, 2005

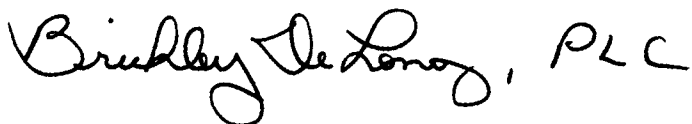
Board of Directors  
West Michigan Regional Planning Commission  
Grand Rapids, Michigan

In planning and performing our audit of the financial statements of the West Michigan Regional Planning Commission for the year ended September 30, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the West Michigan Regional Planning Commission's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements. We have attached a summary of such reportable conditions.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we do not believe the reportable conditions described above are material weaknesses.

This report is intended solely for the information of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Brickley DeLong, PLC". The signature is written in a cursive, flowing style.

## **REPORTABLE CONDITIONS**

Recommendation 1: All journal entries should have supporting documentation attached to them and should have documented approval by an appropriate member of management.

During our audit, we noted that supporting documentation and documented proper approval of journal entries was not attached to journal entries.

The maintenance of files with supporting documentation and documented approval of journal entries would reduce the possibility of an inaccurate journal entry being made.

Recommendation 2: Timesheets for all employees and tax payments should be properly approved by the appropriate officials.

During our audit, we noted that timesheets and tax payments are not being properly reviewed and the documented approval is not being recorded on the timesheets and tax payments.

The documented approval of all timesheets and tax payments would ensure appropriate supporting documentation for hours paid and taxes paid.